



BUSINESS INTERRUPTION INSURANCE

WHY INSURE?

- Is your business capable of surviving a major loss?
- Are your future earnings and profits protected?

Research shows that 43% of businesses which sustain a major loss do not resume trading. Of those which do have some form of Insurance 28% fail within 3 years and only 29% survive. Inadequate / underinsurance is the main reason for this.

Source Deloitte

WHAT HAPPENS TO YOUR BUSINESS IF YOU SUFFER A MAJOR FIRE OR OTHER SERIOUS EVENT?

- Lost sales
- Cash shortage

THIS WILL CAUSE FAILURE OR DIFFICULTY OF YOUR BUSINESS TO:

- Meet payment of continuing operating expenses
- Meet payment of staff salaries and wages
- Service debt
- Meet payment of other fixed expenses

THE END RESULT?

- In the short term - **NO NET PROFIT**
- In the long term - **LOSS OF MARKETS CAUSING SLOW RECOVERY AND POTENTIAL BUSINESS FAILURE**



HOW DOES A BUSINESS INTERRUPTION POLICY RESPOND?

Money needs to be available to pay for costs which the business will still incur despite the fact that it is not fully operating or even if it stops altogether for a time. In addition there may be extra costs as a direct result of the loss and these also need to be covered.

A Business Interruption policy pays the bills to maintain your business

- It services your debt
- It retains employees despite their inability to work
- It meets redundancy payments for those employees who have to be laid off
- It funds increased costs of working to maintain part of whole production
- It restores your net profit

MAJOR REQUIREMENTS FOR BUSINESS INTERRUPTION COVER:

Adequate Sum Insured - represents the dollars

Adequate Indemnity Period - represents the length of time during which the business results are affected.

IMPORTANT CONSIDERATIONS

- If the sum insured and / or indemnity period are **incorrect** the policy **will not** pay in full and the Insured will only receive partial payment on what they are expecting.
- Consideration of topping up Clause 10.1.2 (Increased cost of working) by adding Sum Insured for Clause 10.4 (Additional Increased Cost of Working).
- There must be a property damage loss which is covered under the Policy (material damage proviso)

It is also important that you take into consideration projected growth of the business during the period of insurance.



THE MAXIMUM INDEMNITY PERIOD & ADDITIONAL INCREASED COST OF WORKING:

This is the period of time, selected by the Insured as being the longest period during which the business could be affected as the result of an incident and the additional cover required. Important points to consider:

- Demolition of buildings Plant and Machinery
- Site clean up
- Architect / Engineering plans
- Council permits / Building tenders / Award contracts
- Delivery of Machinery and Plant / Rebuilding
- Availability of temporary premises
- Trend of business / Time to recapture Market share
- Outsourcing work
- Availability to work overtime (Employees or Repairers)

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